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UNOBLIGATED CARRYOVER IN
DEFENSE APPROPRIATIONS

CHESTER R. LANGER

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UNOBLIGATED CARRYOVER IN
DEFENSE APPROPRIATIONS

By

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" "
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Prepared For
Dr. A. Rex Johnson
May 1958

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Langer, C.

Memorandum for the Director, National Park Service
Subject: [Illegible]

Re: [Illegible]
[Illegible]

1. [Illegible]
[Illegible]

Very truly yours,
[Illegible]
[Illegible]

PREFACE

During the past decade the budgeting processes of the Federal Government have been the subject of continual and highly controversial discussion, with many ideas for improvement advanced. Constantly recurring in these discussions is the question of control of unexpended balances, substantial amounts of which are not even obligated.

Year after year, budget estimates have been presented to the Congress by federal agencies. In many cases, Congress has appropriated total funds for agency programs and has exercised no further review or control over the timing or the effectiveness of actual spending. One of the results has been the carryover of unobligated funds. Some of these carryovers remain available for years, through changes in administration and in both domestic and world conditions.

It is the purpose of this paper to discuss the question of unobligated carryover in defense, since such funds relate primarily to the Department of Defense. Unobligated carryover rather than unexpended carryover was chosen in order to delimit the subject and because it posed more of a problem.

As research on unobligated carryover progressed, the collateral problem of expenditure control became prominent. I found these two concepts so interrelated that I wondered if my subject had been wisely chosen. The two concepts are nearly

inseparable, and they will so appear in this paper.

During the research period, interest was heightened by House debate on legislation purporting to obviate the necessity for carryover funds. This legislation concerns the accrued expenditure basis for appropriations. There is a conflict of opinion on the accrued expenditures concept between the House and the Senate which remains to be resolved. This pending legislation is now on the Senate calendar for early action.

In addition to written information sources, this paper is based upon assistance and interviews from various representatives in the Department of Defense, especially the Office of the Navy Comptroller. The wholehearted cooperation and assistance of these representatives are gratefully acknowledged.

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CHAPTER I

SITUATION

During recent years, the unobligated carryover of defense funds has been a matter of great concern to the military departments, to Congress, and to others. Prior to fiscal year 1951, the Congress followed the practice of providing a combination of cash appropriations and unfinanced contract authority to meet contracting requirements in the no-year appropriations. This procedure covered major procurement and construction for the military services. The effect of this practice was to keep unexpended balances and unobligated carryover at very low levels.

The practice of providing appropriations to fully authorize the approved military procurement and construction programs was adopted in 1951 during consideration of the fiscal year 1952 budget. As a result, military appropriation requests now cover the procurement of a specific number of ships, aircraft, or other items, or a specific increment of military construction. The effect of this practice is to show on the books substantial unobligated carryovers.

Appropriation Committee actions on the requests of the military departments are taken on the basis of programs presented for approval and programs approved. Funds necessary to

carry out the approved program are made available through the appropriation procedure. Although a program has been approved and financed for a given number of aircraft, for example, the entire number may not be contracted for at the same time or even during the same fiscal year. Further, many components of all aircraft, especially shorter lead-time items are ordered so that delivery will be phased in accordance with installation requirements. The result is an unobligated balance in the appropriation as of June 30 to be carried over into the next fiscal year. Such is the nature of unobligated carryover.

Fully authorizing or fully financing the defense program was a measure initiated by the Congress. According to the Congressional view, the major drawback in contract authority was that it was extremely difficult for the legislative branch to exercise effective control over, and effective evaluation of, the military programs. In addition, along with contractual authority went the objectional practice of one Congress committing another future Congress, in effect, to grant appropriations in later years to continue or to complete programs.

I do not wish to imply that this was the total congressional view. The Senate does not claim responsibility, as is witnessed by this statement during the Defense Department Appropriations Hearings before the Senate Appropriations Subcommittee:

Senator Hayden. We had no trouble about this at all when we operated under contract authority. We gave you so much money to be expended during the following fiscal year, as much as you asked for.

Then you said, in order to carry on, we will have to have authority to enter into contracts during that year, but we won't need any cash.

As long as we operated that way, we did not have to carry these huge sums of money. But the House of Representatives changed it. They put this provision in the law, that when an airplane is ordered or a ship is ordered, we must appropriate the full amount for the life of the ship, practically, that is what it amounts to. That is, for the ship which is building over a period of 2 or 3 years, and then the spare parts, and all the other things. So it drags on. We appropriate for the whole thing. They say you cannot enter into any obligation unless you have that money already appropriated.¹

The policy of fully financing each program at the time of approval by Congress creates certain advantages for the military services. It permits the military departments to plan and schedule procurement and delivery through contractual commitments in a more efficient and economical manner. It gives assurance to the military that it has at hand the necessary financial resources, rather than having to make commitments in the expectation of later appropriations under the contract authorization concept. Further, it ensures the military that when an end item is delivered it will be complete in all respects, and not unusable because of a shortage of components, the procurement of which is dependent upon later appropriations. Finally, it releases the military from fiscal pressure to incur obligations within an arbitrary time span that is incompatible with the continuing production and construction programs.

¹U. S. Congress, House. Department of Defense Appropriations for 1956. Hearings Before the Subcommittee of the Committee on Appropriations. 84th Congress, First Session, p. 778. Washington: Government Printing Office, 1955.

Because of these and other advantages which accrue, the military departments favor the full financing of programs concept. They believe that the development of sound programs and sound financial management requires that procurement, construction and research programs be fully financed in terms of obligational authority at the time the programs are approved by the Congress. They believe further, that sufficient funds should be earmarked for obligation beyond the budget year to assure completion of the projects justified to the Congress.²

In testifying before the Senate Appropriations Subcommittee Hearings concerning Department of Defense appropriations for 1958, Secretary Wilson stated that the Department of Defense favored the full funding concept. He said that he was not enthusiastic about current year funding because people get too enthusiastic about their new projects and they underestimate how much they are going to cost. It is easier to start something that is only going to cost \$100 million that it is something that is going to cost \$150 million. Once started, projects must be finished, thus creating the possibility of not having funds for the right projects at a later time.³

Notwithstanding the approval and support of the full funding concept by the military, the end result of such concept,

² Ibid., p. 247.

³ U. S. Congress, Senate. Department of Defense Appropriations for 1958. Hearings before the Subcommittee of the Committee on Appropriations on H. R. 7665. 85th Congress, First Session, p. 13. Washington: Government Printing Office, 1957.

as earlier indicated, is the accumulation of large unobligated balances at the end of the fiscal year. The unobligated carryover in military appropriations from 1952-53 was \$7.4 billion; from 1953-54, \$9.4 billion; from 1954-55, \$15.7 billion; from 1955-56, \$11.5 billion; from 1956-57, \$12.4 billion; from 1957-58, \$10.3 billion. The estimated unobligated balance to be carried over for fiscal 1958 is \$8.1 billion. All of these figures are high; for the years 1954 and 1955 they are excessively high. The Defense Department thought they were too high. In appearing before the Senate Subcommittee on Appropriations in April 1955, Assistant Secretary McNeil said, "First, I want to repeat that the amount of unobligated carryover in the last two years has been too high. It will be higher this June 30 than it should be."⁴

The excessively high unobligated carryover in fiscal 1954 and fiscal 1955 is explained by the actions taken on cessation of hostilities in Korea. Congress provided substantial funds in the fiscal 1954 budget to carry on the Korean build-up. These funds were utilized for procurement of capital equipment, for expansion of the military forces, and at the same time for carrying on the "war." The funds that were provided by the Congress in August, 1953, financed procurement of material at combat consumption rates into 1955. Budgets for

⁴U. S. Congress, Senate. Department of Defense Appropriations for 1956. Hearings before the Subcommittee of the Committee on Appropriations on H. R. 6042. 84th Congress, First Session, p. 253. Washington: Government Printing Office, 1955.

fiscal 1951 and 1952 did not finance beyond the year of the budget, but both the Congress and the administration decided that for fiscal year 1954, enough money should be provided to finance beyond the budget year in order to cover the procurement lead times involved.

The amount of money appropriated was high, anticipating high levels of procurement.

The cease-fire came in July, 1953. For a period of about three months, not knowing whether hostilities would resume or not, little change was made in procurement schedules. After that, schedules were cut down so that production plants would be kept running more slowly, but for a longer period. The cutting back of schedules meant that the funds would not be used as originally planned. The funds became unobligated carryover, and, of course, added substantially to the total unobligated carryover for years 1954 and 1955.

Realizing that the unobligated balances were excessively high, for fiscal 1954 and 1955, the Department of Defense made plans to substantially reduce the carryover. A total of \$15.7 billion in unobligated funds was carried over into fiscal 1955. This amount was brought down to \$11.5 billion carried over into fiscal 1956. The attempt to reduce these balances was to result in an unobligated carryover of \$6.5 billion at the end of fiscal 1956. A further gradual reduction was planned to bring unobligated carryover down to a level "approaching the

level normally expected."⁵

In implementation of the planned reduction of unobligated carryover, the unused funds were not used as originally planned. For two successive years, no additional procurement money was requested for the Army. In other words, The Department of Defense was using up funds carried over from previous years. The Army is not the only example. The point is that the Department of Defense had a financial plan for reduction of the substantial unobligated carryover--a plan which, when projected to June 30, 1956, would reduce unobligated carryover to \$6.5 billion. Hindsight indicates that the plan might have been a little more stringent; that it might have been possible to work off the excess funds a little more rapidly. But the plan was a good one; funds were not used unless needed, a condition which might not have pertained had a more rapid reduction program been attempted.

In addition, the plan was successful in that planned reductions were accomplished. However, the unobligated balances were not reduced to the levels anticipated by the Department of Defense. During the period of the planned reduction of unobligated balances, the military went through some fundamental changes in their obligation practices. The changes arose from implementing two key pieces of legislation. Each of these was designed to substantially improve the fiscal management within

⁵U. S. Congress, House. Department of Defense Appropriations for 1956. Hearings Before the Subcommittee of the Committee on Appropriations. 84th Congress, First Session, p. 559. Washington: Government Printing Office, 1955.

the military departments, which purpose it has accomplished, but the residual effect has been to require a higher level of unobligated carryover from one fiscal year to the succeeding year.

The first of these legislative enactments originated as section 110 of the Mutual Security Appropriation Act for 1955 and was continued as section 108 of the Mutual Security Appropriation Act for 1956. Under this new legislation, procurement of items common to a military service and to the military assistance program are purchased by that military services based on the issuance of orders to the military services. Such orders make provision for reserving funds in the military assistance appropriation, providing obligational authority to the military departments and delivery of the items specified in the order to the military assistance program. The military departments are reimbursed in their appropriations for material delivered or services performed.

Previously, the military departments had to attempt to account separately in their supply programs for their own and military assistance items which were identical. Such attempts were unworkable from a practical point of view, since there was no accurate way of determining in advance whether the military department or the military assistance program would get delivery of any particular item.

The change provided much needed authority for the integration of procurement for the military assistance program with procurement for the military services. The result was

procurement and supply-management economies. It cleared up the former complex and uncoordinated system of financing military assistance program procurement. However, the anticipated reimbursements from outstanding military assistance fund reservations, for which reimbursements will not be received until after the end of the fiscal year, are carried forward as unobligated carryover. It is in this manner that the implementation of section 110 of the Mutual Security Appropriations Act of 1955 adds to the amount of unobligated carryover.

The second of these legislative enactments, and by far the more important, is section 1311 of the Supplemental Appropriation Act of 1955. This legislation constituted the first comprehensive statutory definition of funds recordable as obligations against funds appropriated by the Congress.

Prior to section 1311, it was the practice within the Department of Defense to record obligations at the time the Government was thought to have incurred a liability. This was done even though all details of the transaction had not been worked out. Under the broad criteria established in section 1311, and in the regulations issued by the Department of Defense to implement this section, an obligation can be recorded only when there is a completely binding agreement, fully executed, to meet the needs for the fiscal year.

In addition, recorded obligations are now required to be fully supported by contractual documents and other records, at appropriate organizational levels, and such records are to be maintained in a form that will facilitate audit and

reconciliation.

The implementation of section 1311 within the Defense Department was difficult. The changes were of great magnitude. Certain points required clarification by the Comptroller General. The problem was further complicated by the fact that legislation was not approved until August 26, 1954. Specific regulations within the defense establishment were not able to be issued until April 28, 1956. This caused unavoidable delays in filing reports required by section 1311 for June 30, 1954 and June 30, 1955.

In the initial implementation of section 1311, those obligations which did not meet the criteria for obligations were reclassified as unobligated--"deobligated." The natural effect was to increase unobligated balances to be carried forward. Another one of its effects, possibly more far-reaching, is that it has lengthened the time period between initiation of a transaction and the time at which such transaction can be recorded as a firm obligation. Since there will always be certain transactions underway at the end of any particular fiscal year, this lengthened time period will have the effect of increasing the level of "planned unobligated carryover."

The concept of a "planned unobligated carryover" was initiated by Assistant Secretary of Defense McNeil during the hearings on Department of Defense Appropriations for 1956.

If we are to maintain orderly procurement processes near the end of a current fiscal year and in the early months of a succeeding year, it is essential to provide a "planned unobligated carryover." For example, we should have funds reserved and available for the engineering changes necessary to complete items already

on order and in production. Similarly, funds must be available to cover the total cost of long lead-time items, orders for which may be placed in a series of phased steps over a period of time. As an illustration, in ship construction long-lead items such as hull and machinery may be obligated before June 30 in a current year with shorter lead time components placed under contract and obligated in the succeeding year. This applies also to other complex long-lead time items such as aircraft.⁶

Still another effect of Section 1311 was the establishment, within the Department of Defense, of the Comprehensive Commitment Accounting System. This system is unique among Government Agencies, and provides for accounting for procurement actions prior to obligation, as well as accounting for progress in performance. It allows determination of the day-to-day status of long lead-time programs.

The precise amount the planned unobligated carryover should be for any particular year is not capable of determination. It would depend on many factors such as the level of appropriations and the level of activity within programs. However, the precise amount is not too important. What is important is that the amounts of the unobligated balances should be reduced by the amounts not genuinely needed to carry out the authorized programs in future years. Funds no longer needed to complete prior year programs should be applied, with Congressional approval, as a credit against the next year's funding

⁶U. S. Congress, Senate. Department of Defense Appropriations for 1956. Hearings before the Subcommittee of the Committee on Appropriations on H. R. 6042. 84th Congress, First Session, p. 14. Washington: Government Printing Office, 1955.

requirements. With such a procedure, unobligated carryover should approach the level that normally would be expected to be available from year to year. And this is the procedure followed in the Department of Defense.

CHAPTER II

JUSTIFICATION

Any attempt to justify the necessity of carrying forward unobligated balances in the Department of Defense should emphasize that such justification concerns minimum amounts. As pointed out in Chapter One, the cease-fire in Korea resulted in excessive unobligated carryover. Moreover, the implementation of section 1311 of Public Law 663, 84th Congress, prevented reductions at the rate planned by the Department of Defense. Nevertheless, the policy of the Department of Defense has been to reduce the amount of unobligated funds which are not genuinely needed to carry out the program in future years. Whenever and wherever funds have been found no longer needed to complete prior year programs, they have been applied as a credit against the next year's funding requirements, with Congressional approval.

What are these minimum amounts that are capable of justification? As stated earlier, the exact amount is not too important if the budgetary procedures and practices are designed to keep the unobligated carryover at a minimum. However, some guide lines have been indicated. During the Department of Defense Appropriations Hearings for 1958, Assistant Secretary McNeil said, when questioned about lowest safe unobligated

carryover, "at the present time, the aggregate of about \$8 billion is about the right level."¹ His estimate was based on the volume of business that would be in process or under negotiation as of the end of the fiscal year and an amount specifically set aside for shorter lead-time items and other requirements. This \$8 billion minimum is the amount that must be justified.

A distinction must be made between fully funding of the military programs and fully obligating the funds received. The fiscal control gained by fully financing the planned procurement, construction and research programs would be lost if the military departments tried to obligate all available funds as quickly as possible. Actual obligations must be carefully timed to assure that maximum return is received for each dollar obligated. This procedure is dictated by a sound program and sound financial management. Thus, contracts for short lead-time components of a major procurement item, such as a ship, are placed at a later time than contracts for longer lead-time components. It would be wasteful to do otherwise. To order the anchors, chain, fire-control equipment, and all other short lead-time items at the time the keel was laid would be unsound. Such procurement practice would result in some short lead-time items being unusable due to ship alterations

¹U. S. Congress, Senate. Department of Defense Appropriations for 1958. Hearings before the Subcommittee of the Committee on Appropriations on H. R. 7665. 85th Congress, First Session, p. 460. Washington: Government Printing Office, 1957.

during construction, or obsolete because of improvements in the short lead-time components. Quite the opposite procedure is necessary--most of the installed equipment in ships should be ordered as late as possible, long after contracts have been awarded for hull and machinery.

Thus, sound program and financial management dictate that certain funds be committed for obligation beyond the budget year to assure completion of the programs justified to the Congress. Those certain funds--unobligated carryover.

Unobligated carryover is inherent in the full funding of programs. It is required to carry out the intent of the Congress with regard to the manner in which military programs are to be financed and managed.

The Congress recognized the need for orderly planning and contracting and the elimination of year-end pressure to obligate expiring funds by the establishment of the "no-year" appropriation principle. Congressional action on successive military budget requests has been consistent with this principle since 1952. The House Appropriations Committee in its report number 216, dated March 21, 1957 stated as follows:

Several billions of dollars could be out from new appropriations requested for 1958 for such long lead-time items as ships, aircraft, missiles, and so forth, because the budget contemplates that not all of the new funds requested will be contracted and obligated in 1958. This situation arises from the generally prevailing practice of providing funds at the outset for the total estimated cost of a given item so that the Congress can clearly see and have complete knowledge of, the full dimensions and cost when it is first presented for appropriations. An alternative would be to appropriate in the first year only the amount estimated to be obligated in that year, leaving to later years installment

appropriations to complete the necessary funding. But this sort of partial funding tends to be less than fully informative and in effect somewhat misleading. An instance arose on one of the appropriation bills last year wherein an amendment in the order of \$1 million was adopted with ease to being a project the ultimate cost of which will be in excess of \$1 billion. Had the initial appropriation been a billion dollars instead of a million dollars, the outcome may well have been different.²

It is believed that the basic justification for unobligated carryover lies in the fact that military budget estimates are submitted to Congress in a manner consistent with the above principle. In other words, budget estimates are submitted in accordance with the full funding concept, a concept in which unobligated carryover is inherent.

In addition, there are many requirements, some of them peculiar to the Department of Defense, which lend support to the basic justification. One such requirement concerns subsequent engineering changes. From long experience, the military departments know that nearly every major item of military equipment requires engineering changes after it has been placed in production. These changes are required as a result of improvements developed in the course of production, technological advances, or deficiencies which develop during initial tests. Sound programing requires recognition of the fact that such changes involve costs, that these costs are a part of the total cost of the item, and to provide in advance the funds required to meet them. For example, in carrier construction, it would not be sound financial management to fail to recognize

Ibid., pp. 436-7.

the technological advance of the canted flight deck. Once this innovation had been proved successful and a desirable change, it would be wasteful to complete carriers then under construction with conventional flight decks, only to be altered at a later date. To provide for such contingencies, subsequent engineering change funds are included in the total program costs, but they are carried as unobligated until the necessity for obligation arises.

Another such requirement is first destination transportation. Funds must be reserved to cover first destination transportation of long lead-time items which will be delivered in a subsequent fiscal year. This permits the contracting officer to specify whatever method of delivery is most advantageous to the government. There was a time when materials were purchased and the price did not include the transportation to the first warehouse where it entered into inventory. A government bill of lading was used, and first destination transportation was charged to a separate appropriation account for transportation. Then it did not show as a cost of the item. Ordinarily, the contractor can deliver it cheaper than it can be delivered by government bill of lading. It saves money to so finance the whole procurement at the time and use the most economical and best method of transportation. But first destination transportation funds are not obligated until time of delivery--thus unobligated.

Still another requirement is spares for initial equipment. When an item of procurement is budgeted, the budget

amounts include an amount for initial spares. In aircraft procurement, for example, this amount is equivalent to about 30 per cent of the basic cost of the aircraft. A few spares might be definitized and ordered in the first year of production. As an aircraft becomes operational, and some spare parts usage data is gained, an accurate forecast of the rate of wearing out can be made; then the spare parts are definitized. A greater part of these spares would be definitized over a period of two or three years. As these spares were firmed up, they would then be recorded as an obligation. In the meantime, it would be shown as unobligated carryover until the spares requirements lists were completed. The funds are set aside, but they cannot be obligated until requirements are known, prices are determined, and delivery dates firm.

In the case of ships, after delivery has been made by the contractor, certain equipment must be installed at naval shipyards before a ship joins the fleet. Such equipment is usually electronic and of a classified nature. The funds reserved for installation costs of these items are not obligated until after delivery of the ship. But they are budgeted for in the initial estimates, and are held committed but unobligated until the ship nears completion. This work after delivery constitutes another requirement for unobligated carryover in the military.

In contracting for procurement, construction, and research of the size and nature carried on by the Department of Defense, it may be proper to carry forward unobligated balances.

Sufficient should be on hand at the end of a fiscal year to carry forward the program on an even keel through the opening months of a succeeding fiscal year. In many cases production may commence on the basis of a letter order, and only the amount of the letter order can properly be obligated. Considerable time may elapse before a mutually satisfactory definitive contract can be made and remaining funds obligated. Where this process overlaps the closing months of one fiscal year and the early part of the next, adequate funds must be committed to cover the full cost of contracts.

Finally, unobligated carryover is a recognition of the fact that it is not possible to obligate exactly 100 per cent of a program in any one fiscal year. It represents an effort to reflect the highest degree of realism so that Congress will have a better knowledge of the financial operations of the military.

In addition to the above factors for which unobligated carryover should be earmarked, many things may occur during the budget year that may affect programs. It is possible that price reductions, economies, and other factors may free funds not required for currently authorized programs. Then the budget estimate of unobligated carryover would be increased by amounts that cannot be forecasted precisely at any particular time.

CHAPTER III

CRITICISM

The Department of Defense has been criticized by the Congress and others not only for the high levels of unobligated carryover; they have been criticized for even having such a thing as unobligated carryover. The record of Hearings of the Appropriations Subcommittee each year since 1952 is filled with page after page of criticism. Some of this criticism is justified; some of it is not. Some criticism results from a misunderstanding of the problems of procurement, construction and research; some of it results from an honest attempt to foster economy and efficiency in the military departments; at least a portion of the criticism appears to be an attempt to spread on the record the "economy-mindedness" of certain of our legislators. For whatever the reasons, the Congress has been extremely critical of unobligated carryover in defense.

The major criticism of unobligated carryover in defense funds is that the Congress has lost control of the purse strings. The carryover of unobligated balances, critics argue, means that expenditures in any one year may be made from new obligational authority, obligated carryover, or unobligated carryover. This system results in an inconstant and fluctuating relationship between the volume of appropriations which Congress makes

each year and the volume of federal government expenditures for that year. The new obligational authority may exceed or fall short of the obligations incurred by the military departments in that year, since obligations may be incurred against unobligated carryover. In addition, expenditures depend on the rate at which goods and services are delivered. Critics point out that the system makes it impossible to control annual expenditures.

In his book "Economy in the National Government" Senator Douglas, talking about his service on the appropriations committee, was led to conclude:

We are rapidly getting into a situation where Congress no longer has complete control over the expenditures of funds for defense purposes. If the Department of Defense is able to get enormous sums which are then not spent, and if these unspent funds accumulate from year to year, then the control of Congress over the level of actual military outlays in any given year will be continually diminished. Each Congress will be faced with growing amounts of expenditures fixed by previous appropriation.¹

The criticism that Congress has lost control of the purse strings leads naturally to the criticism that Congress cannot determine whether or not the budget is balanced. It makes sense that if expenditures can not, in fact, be determined, Congress has no way of telling whether there will be a surplus or a deficit.

Another major criticism is that substantial unobligated

¹George B. Galloway, The Legislative Process in Congress (New York: Thomas Y. Crowell Company, 1955), p. 134.

carryover indicates a less than adequate fiscal policy. Critics claim that funds should not be requested unless they can be defended. They do not want the military to ask for funds that will not be obligated and therefore would not have actually been required for a whole fiscal year. As an example of this criticism, witness this exchange during the House Hearings on Department of Defense Appropriations for 1956.

Mr. Mahon. I have worked with military appropriations, Mr. Secretary, since 1940. The Armed forces did a poor job of budgeting during World War II. It was difficult to do a good job. I thought a poor job was done in budgeting probably during the Korean war and I agree that this may have been unavoidable, but I will tell you frankly I have been shocked and disturbed now that we are at peace that the Department of Defense is doing what appears to me to be such a poor job in making these estimates.

It seems to me that the conclusion could well be reached that the Department of Defense, despite all the talent at the top, is running a rather loose operation.

Now, I listened very carefully to your testimony about unexpended funds and unobligated funds. It seems to me now that we are leveling off and now that we are not aiming at any particular target date, and now that we are not in a shooting war, and now that we are working on the budget for the third fiscal year, you would not estimate that there would be so many billions of dollars unobligated--and I say unobligated--at the end of the fiscal year 1956.

Now, that to me is just about inexcusable, and I would like to have the best statement the Pentagon and you can provide in explanation of this thing.

I think the average businessman and the average member of the Rotary Club where Congressmen would make a speech, or the directors of the Chamber of Commerce would have a tendency to say, "Why is Congress so foolish as to permit continuation of such loose fiscal policy with such vast sums of money that are unobligated?"

It is easy to explain that you do not spend it all because you have the long lead-time items, but if you ask for money that you will not obligate in a year to the tune of \$5 billion or \$6 billion, it just does not seem to make sense at this particular time.

Secretary Wilson. I am sorry that you do not think we are doing any better, because we really are.

Mr. Mahon. You are doing better, but it does not seem to me we are doing sufficiently better. We have had a crash program, but we have been out of the crash program for months and months, and that is the thing that I cannot quite fathom.

People sometimes have a tendency to point out to the Congress, and particularly to the members of this subcommittee, and say, "You boys let those military people get by with murder. Why do you not get a better operation? Why do you have all those loose billions at the end of the fiscal year that have not even been obligated?"

I know a lot about this subject, if I may say so, but frankly, I could not make a sufficient good defense of your present position.²

Another criticism is that having large unobligated carryover leads to overexpenditure. Critics claim that it is only human nature to overexpend if the funds are available. The argument goes like this: If you give a person \$100, he will make that do. If you give him \$200 he will spend that for the same purpose. The critics say further that if there is not in fact overexpenditure, at least there exists the opportunity to overexpend. There should not be unobligated funds on the books to create this opportunity; such funds should revert to the Treasury.

Still another criticism of the unobligated carryover is that it is unnecessary. The question posed is why not reduce new military obligational authority to the extent of the unobligated balances? In other words, if one of the military services needs \$10 billion and has at the same time unobligated carryover of \$2 billion, why not request \$8 billion. Why ask

²U. S. Congress, House. Department of Defense Appropriations for 1956. Hearings Before the Subcommittee of the Committee on Appropriations. 84th Congress, First Session, pp. 129-30. Washington: Government Printing Office, 1955.

for money that is not going to be obligated? Critics argue that Congress is in session throughout the year and could grant funds to the military service in need of them. Their contention is that if you can anticipate an unobligated carryover a year in advance, current requests for funds should be reduced by that amount.

Critics further claim that unobligated carryover leads to expenditures for purposes other than those authorized by the Congress. After cessation of hostilities in Korea, the Army had huge unobligated balances. These were due largely to a cut-back in production schedules. As a result the Army received no new obligational authority for two successive years. They were criticized on the grounds that they diverted the money appropriated for things other than what they asked for.

Senator Ellender. Well, start to do it now. Instead of making these transfers why do you not come with direct appropriations and let the rest go to the Treasury? That is the procedure I think you ought to follow. Why do you not say, "Gentlemen, we have not spent the money appropriated last year, let it go back to the Treasury and when we need it appropriate it."

I think that is the better procedure than to shift it from one to the other.³

Another criticism of unobligated carryover in the military is that it lends itself to waste and overbuying. The excessive amount of money in the hands of the Army, Navy and Air Force, leads sharp vendors to selling them a bill of goods. Such criticism is usually accompanied by the classic

³U. S. Congress, Senate. Department of Defense Appropriations for 1956. Hearings before the Subcommittee of the Committee on Appropriations on H. R. 6042. 84th Congress, First Session, p. 365. Washington: Government Printing Office, 1955.

example of the Navy having on hand enough canned hamburgers to last 60 years. The critics believe that if we could keep our expenditures within the fiscal year, overbuying and waste could not result.

Finally, the degree of accuracy of long-range planning in the military is questioned. A military department presents its justification for fund requests to the Congress. Under the policy of full disclosure, the unobligated carryover is presented as a portion of the budget in definite monetary terms. The question invariably arises how the military department can ascertain a definite amount a year in advance and where it will be used if it is used at all.

Undoubtedly there are additional Congressional criticisms of the unobligated carryover in the Department of Defense. I have presented those which I considered most important. I do not wish to leave the impression that Congress alone has been critical of unobligated carryover. The problem has concerned numerous persons and groups, in and out of Congress.

In 1953, Roland Hughes, the Budget Director, engaged a group of outstanding financial experts to study the question of the large carryovers and expenditure control, and to submit recommendations. This group recommended the annual accrued expenditure basis of stating proposed appropriations with contracting authority, as needed, for contracts and orders to be placed for long lead-time items. The findings and recommendations of this group were seriously studied by the Second Hoover Commission.

Probably the most critical, and certainly the most important analysis was made by the Second Hoover Commission. The commission felt that to restore Congressional "control of the purse," it was necessary to change from an obligational basis to an accrued expenditure basis for appropriations. Their reasoning was that by appropriating in terms of obligational authority, Congress grants an amount of money which might be spent over a period of several years. In those cases where Congress appropriates funds for long-range programs and the money is not entirely obligated or expended in one year, there results carryovers of large unexpended or unobligated amounts. As the Commission stated in its report:

There is no limitation as between years on the amounts to be obligated except to the extent that they are apportioned to the agencies by the Bureau of the Budget. Neither is there an effective post-review of such appropriations by either the Bureau of the Budget or the Congress. The procedure has been to review in minute detail the new program for the budget year under consideration with little consideration of past performance. This inadequacy applies particularly to military procurement.⁴

In considering the application of an accrued expenditures budget, the Commission divided the Government's activities into two categories: Long lead-time programs for the procurement of aircraft, ships and weapons, research, and construction; other programs in which obligations coincide mainly with the accrued expenditures for each year. In the first category,

⁴Budget and Accounting. A Report to the Congress by the Commission on Organization of the Executive Branch of the Government, June 1955, p. 21. Washington: Government Printing Office, 1955.

long lead-time programs, the agency would submit initially a program showing the full funding requirements. Congress, in their approval, would appropriate funds in terms of the estimated accrued expenditures required for the year in question. Congress would also grant contract authority beyond the year under consideration. The program would be reviewed annually by the Congress and the agency to determine progress. Where necessary, Congress would be required to appropriate funds to meet contractual obligations and to restate the amount of contracting authority remaining within the program.

In the second category where lead time is not important, the Commission considered it desirable to budget on the basis of accrued expenditures also. Although these would involve administrative areas only, the extension of accrued expenditure budgeting to these areas was favored from the standpoint of uniformity in budget procedures.

At the same time as the Hoover Commission was conducting its work, the Secretary of Defense established the Advisory Committee on fiscal organization and procedures for the purpose of reviewing the accounting and financial methods of the Department of Defense. The committee was composed of leaders in industry and government and was chaired by Charles P. Cooper, President, Presbyterian Hospital, New York, after whom the committee took its name.

The objective of the Cooper Committee was "to develop recommendations for an effective, simplified and standardized fiscal and reporting system, as well as an improved organization

for all financial matters, in the entire Department of Defense.⁵ The Hoover Commission task force maintained close liaison with the chairman and his staff. In its report, the Cooper Committee came up with numerous recommendations which the members felt would accomplish the objective stated above. The budgeting portion of this report contained the following statement in connection with its budgeting proposals:

However, in order to gain the maximum benefits from budgeting and accounting on a cost basis, the Committee suggests that consideration be given to a basis of appropriating that would be more closely related to costs in the sense of goods and services received than the basis now used. Although some provision for Congressional authorization to contract for long lead time C. O. D. orders would be needed, the cost approach would focus attention on the resources to be received and those to be used in the budget year.⁶

These studies are cited to indicate that concern over the problem of carryover and the collateral problem of controlling the rate of annual expenditures is widespread and is not limited to Congress, or even to the Legislative Branch. The conclusions and recommendations of each of these studies, however critical, show an honest attempt to come to grips with a problem that has been of concern to so many in recent years.

⁵Financial Management in the Department of Defense.
A Report to the Secretary of Defense by the Advisory Committee
on Fiscal Organization and Procedures, October 1954,
Appendix A, p. 73. Washington.

⁶Ibid., p. 23.

CHAPTER IV

LEGISLATION

Criticism by the Congress and other groups of unobligated carryover in Defense has led to wide acceptance of the proposal by the Second Hoover Commission to eliminate it. The Commission has proposed a major modification in appropriation practices which would do just that. If their proposals were followed, agency budgets would be presented in terms of annual accrued expenditures, defined as the charges incurred for goods and services received.¹ All appropriations would be annual. Procurement of long lead-time items would be reviewed annually by the Congress under the contract authorization concept. The practice of carrying forward to the next fiscal year unobligated balances would cease.

Although this Hoover Commission proposal was the basis for recent legislation relating to budgeting and accounting, the idea was not new or unique. Early in the 1950's bills were introduced by Representative Coudert to establish Congressional control over government expenditures each year in relation to

¹Budget and Accounting. A Report to the Congress by the Commission on Organization of the Executive Branch of the Government, June 1955, p. 9. Washington: Government Printing Office, 1955.

revenues for the year. Periodically, commencing in 1947, Senator Byrd has introduced legislation seeking improved control over the annual expenditures of government. Senator McClellan has periodically introduced legislation for a joint congressional committee on the budget. There have undoubtedly been other legislative efforts to combat the increasing loss of control by the Congress of its constitutional power over the Federal purse. The effort which has received the most publicity and general public interest, however, has been the legislation relating to the Hoover Commission proposal that appropriations be stated in terms of annual accrued expenditures.

The commission recognized that transitional problems would be encountered in the installation of the proposal. One necessary adjunct would be for Congress to cancel unexpended and unobligated carryover and to substitute annual appropriations to liquidate accrued expenditures. Another would be to authorize supplemental contract authority. The Commission added that, "the adoption of this proposal will require administrative changes in the Government's budgeting and accounting procedures, particularly in the Department of Defense, and will require education of those concerned with the budgetary process and the working out of the precise mechanics."²

Legislation to implement the Hoover Commission budget and accounting recommendations, including the annual accrued expenditure proposal, was introduced by Senator Payne in early

²Ibid., p. 25.

1956 as S. 3199. Hearings on this bill by a subcommittee of the Senate Committee on government operations indicated that revision might be desirable to eliminate recommendations that could be implemented by administrative action and to confine the legislation to matters which require legislative endorsement or legislative revisions.³

At the direction of the chairman (Senator John Kennedy), representatives of the General Accounting Office, the Department of the Treasury, the Bureau of the Budget, and the Staff of the Committee redrafted the bill. The redraft was introduced as S. 3897 on May 21, 1956, by Senator Kennedy, with Senator Payne and 30 other senators as co-sponsors. This bill, which became known as the Kennedy Bill was considered in open hearings during June 1956. Following the hearings, the bill was approved by the subcommittee and the full Senate Committee on Government Operations and was unanimously passed by the Senate. One of the features of S. 3897 was the inclusion of the annual accrued expenditure basis of stating proposed appropriations with resulting elimination of carryover.⁴

During the same period, a Subcommittee of the House Committee on Government Operations was considering H. R. 9402, which was similar to the Payne Bill introduced in the Senate, and to other bills introduced to carry out the Hoover Commission budget and accounting recommendations. As the House hearings

³U. S. Congress, Senate. Improving Governmental Budgeting and Accounting Methods and Procedures. Senate Report No. 2265. 84th Congress, 2d Session, p. 3. Washington: Government Printing Office, 1956.

⁴Ibid.

continued, consideration was also given to H. R. 11526, introduced by Representative Paul G. Rogers, which was comparable to S. 3897.⁵ The House Government Operations Committee reported out H. R. 11526 without the annual accrued expenditure appropriation provisions and it was so voted by the House. The House version was accepted in the conference of the two legislative bodies and this bill was signed by the President as Public Law 863, 84th Congress, on August 1, 1956.

This law calls for accrual accounting, cost-based budgeting, simplification of allotments, and other improvements in the methods to be used in the financial management practices throughout Government. It did not, however, include the annual accrued expenditure basis of stating appropriations. During consideration of the bill by Congress, this provision was deleted. In explanation, the committee on Government Operations included the following statement in House Report No. 2734:

The bill as originally introduced contained a provision instituting the submission of budgetary requests for appropriations on an annual accrued expenditure basis. The committee heard strong testimony from the chairman of the Committee on Appropriations of the House and the ranking minority member of that committee objecting to the accrued expenditure device primarily on the ground that it would necessarily lead to contract authority for programs which extend beyond 1 fiscal year. It was felt that contract authority weakened Congressional control, and it would not realize the benefits claimed. On the basis of these objections and the committee's own study, the provision for appropriations on an annual accrued expenditure basis was deleted from the bill.⁶

⁵U. S. Congress, House. Improving Governmental Budgeting and Accounting Methods and Procedures. House Report No. 2734. 84th Congress, 2d Session, p. 13. Washington: Government Printing Office, 1956.

⁶Ibid., p. 4.

In January, 1957, at the start of the first session of the 85th Congress, companion bills were introduced in the Senate and House covering the annual accrued expenditure recommendation. Hearings were held on these bills before the Senate and House Government Operations Committees at which both proponents and opponents were heard. Both committees favorably reported the bills and, on June 7, 1957, the Senate unanimously approved S. 434. The bill reported by the House Committee on Government Operations, H. R. 8002, did not come to a House vote during the first session of the 85th Congress.

The purpose of these bills was to provide a more informative basis for the enactment of appropriations by the Congress, to reduce or eliminate the large carryover balances of appropriations from one fiscal year to another, and to bring about economy in government expenditures.

These companion bills gave the President authority to convert appropriation estimates, with the exception of those appropriations exempted, to an annual accrued expenditure basis, where he deems appropriate in the interests of better financial management and better control of expenditures. It was fully recognized that if appropriations for long lead-time items are stated on an annual accrued expenditure basis, it would be necessary for the Congress to provide contract authority. S. 434 and H. R. 8002 were designed to provide that authority. H. R. 8002 had a terminal date of July 1, 1961, but S. 434 did not.

Proponents of both bills included the President, the

Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General. Former President Herbert Hoover and many public figures, acting through the Citizens Committee for the Hoover Report, also favored the bills.⁷ Opponents included most of the House Appropriations Committee and some segments of industry, particularly those defense-oriented. The Department of Defense took the position that the present system of appropriating and obligational authority was in the best interests of the taxpayer. They recognized that the accrued expenditure budget did have merit, but believed unobligated carryover was mandatory in long term procurement. The Department of Defense was far more concerned about implementation than the basic Congressional policy indicated in the bills. The Assistant Secretary of Defense (Comptroller) represented the Department in hearings on both these bills and stated:

We would like to state that we believe that the present basic system of appropriating and obligational authority, and we grant that improvement might be made, is in the best interests of the taxpayer, whether or not accrual expenditures are recorded and utilized as part of the budget process. If the Congress chooses, however, to provide obligational authority in similar manner, it would not, in our opinion, be in the best interests of the Government to do so by providing part so-called cash appropriations and part contract authority.

If the Congress chooses, however, to provide obligational authority on a contract authority basis and appropriate on an annual expenditure basis--the cash expenditure basis or accrued expenditure basis is not important--there is a suggestion we might make which would involve consideration of the overall cost of each program presented and at the same time involve

⁷U. S. Congress, Senate. Hearings Before a Subcommittee of the Committee on Government Operations on S. 316 and S. 434. 84th Congress, First Session, p. 1. Washington: Government Printing Office, 1957.

full consideration and review of expenditures. It is simply to provide obligational authority in full amount, and I want to repeat, not part cash and part contract authority, for programs authorized by the Congress--I plead that we never get into that mess again--on a no-year basis for procurement, construction, and research in our case, in a manner somewhat similar to the present act, but in a part II of the act to provide, after examination and review of programs, the aggregate amount approved for expenditure for each department for the fiscal year, either on a cash⁸ expenditure basis or on an accrued expenditure basis.

H. R. 8002 was debated in the House on March 5 and 6, 1958. During the debate, the proponents of the bill presented these views:⁹

The present method, which permits large carryover balances of appropriated funds, vests in the agencies the authority to decide the extent to which funds will be expended each year. The proposed method vests the prime responsibility for determining the level of agency operations each year in the Congress.

The budget surplus or deficit, which is an important barometer of the Government's current financial position, is determined on an annual basis. But, the important element of expenditures which enters into this annual computation is not subject to adequate Congressional control other than in terms of debt limit. The proposed method would provide for annual appropriation action by Congress which would bear a close relationship to the level of expenditures entering into the annual budget surplus or deficit.

⁸Ibid., p. 43.

⁹For complete debate see U. S. Congressional Record, March 5 and 6, 1958.

The proposed method of annual accrued expenditure appropriations would require positive Congressional consideration, each year, to costs and accomplishments and to future costs and planned accomplishments under authorized programs. By this means, unsatisfactory performance, inadequate planning, and current cost estimates will be more directly considered in annual appropriation actions so that more prompt remedial action can be taken, if necessary.

The requirement of annual review of program accomplishments and costs, both past and future, will place needed emphasis on program performance. This is especially true when such review takes place with annual Congressional appropriation action in relation to planned operations for the ensuing year. Increased economy and efficiency in government operations would result by actions of both the Executive Branch and the Legislative Branch.

The opponents countered with these arguments:

Appropriation on the accrued expenditure basis is the same as installment buying and will add to the cost of Government. Programs and projects will be started and continued because of the relatively small amount of the annual appropriations, which would not be started initially if the Congress was required to appropriate for the full cost of the entire program at the beginning.

Stating appropriations on the annual accrued expenditure basis requires a companion grant of authority to the agencies to enter into contracts and orders in advance of appropriations

of funds. Past experience with contracting authority was not satisfactory, because, once contracting authority is granted, the subsequent appropriation of funds is mandatory and automatic.

The administrative procedures and paper work requirements in the Department of Defense are cumbersome. It would be from three to nine months after an annual accrued expenditure appropriation was enacted before a contractor's bills for work performed during the year covered by the appropriation could be paid. Any delay in payment of proper bills would seriously disrupt defense-oriented industry, and substantial delays could result in work stoppages and possible permanent financial injury to such industry.

Neither contractors nor the Department of Defense can project precisely the amount of accrued expenditures that will be incurred during a budget year.

The appropriations committees, under the present system, do make an annual review and evaluation of program accomplishments and plans.

Too much has been claimed for the bill as a means of great savings. H. R. 8002 was held out to the nation as a proposal which would save \$4 billion a year. But there is no easy way to save money; the only way to reduce expenditures is to reduce appropriations and reduce authorizations for appropriations.

Additional legislation is not required in order to have agency appropriations requests submitted on an annual accrued

expenditure basis. The President, if he so elects, can do this under existing legislation.

Opponents objected primarily to the "contract authority" features of the bill. They tried to kill the bill by moving to strike out the enacting clause, by moving to recommit the bill, and by offering amendments to the bill. During the debate, Mr. Wigglesworth of Massachusetts, a strong proponent of the bill, offered an amendment to the bill. His amendment proposed to delete the controversial contract authority concept from the bill, and in his own words:

Mr. Wigglesworth. Mr. Chairman, as I stated yesterday, I offer this substitute amendment in the spirit of compromise, in the belief that every Member of the House today desires to obtain the best possible control over the obligations of this Government and the best possible control over the expenditures of this Government.

My amendment is designed to do three things:

In the first place it eliminates completely from the picture the proposal in H. R. 8002, that as far as obligations are concerned, we go back to the practice of contract authority which we abandoned some years ago as unsatisfactory.

In the second place, it accepts the balance of the proposal putting the Congress in a position, if it so desires, to place an annual limitation on expenditures in terms of accrued expenditure.

In the third place, it incorporates language to carry into effect the proposal just made by the distinguished gentleman from New York (Mr. Taber), which in effect waives points of order against rescissions, transfers, or reappropriations. I believe all of us feel that this is a very desirable thing.¹⁰

H. R. 8002, as amended, was adopted by the House on March 6, 1958 by a vote of 311 to 87. It is presently on the Senate calendar for action.

¹⁰U. S. Congressional Record, Vol. 104, No. 36, March 6, 1957, p. 3174.

CHAPTER V

PROGNOSIS

All of the preceding parts of this paper have dealt with a seeming flaw in the budgetary process. In recent years, the military departments have presented estimates to the Congress for carrying out their programs. Included in these estimates have been unobligated carryovers, the need for which the agencies have attempted to justify. The main criticism of these balances is that the powers of Congress, in the direction and control of expenditures, have been impaired. To remedy this situation, the proposal of making appropriations in terms of annual accrued expenditures has been advanced. To effectuate this change, Congress would give to the agencies contracting authority in terms of the dollar amount required for orderly forward contracting beyond the budget year.

The purpose of this concluding chapter will be to discuss whether or not Congress has actually lost control of the purse, whether or not annual accrued expenditure budgets would cure the defects complained of, and offer some predictions about what the future holds for the question of unobligated carryover.

The answer to the question of whether or not Congress has lost the power of the purse depends primarily on how the concept is defined. In certain areas, the Congress has specific

and sole control of the purse strings. In the field of budget authorizations, nearly all budget authorizations are available for expenditure beyond the fiscal year; the availability periods vary. This is especially true in military appropriations because of the relatively long lead-time involved in their procurement programs. At the beginning of a fiscal year, there may be unobligated or unexpended balances in the appropriations. Galloway says "in actual practice Congress exercises varying degrees of control over each of the component elements of this concept: Revenues, legislative authorizations, appropriations, obligations, expenditures, unexpended balances, borrowing, and fiscal policy."¹ For the purposes of this paper, by control of the purse strings referring to carryover funds, we must conclude that Congress has lost control.

The next point for consideration is whether or not the accrued expenditure basis of appropriations would restore to the Congress the control of expenditures which it has lost. Under the accrued expenditures basis for appropriations, the new concept of forward contracting authority would apply, to not only those programs requiring long lead-time, but also to regular annual operating expenses. Applying the annual accrued expenditure basis to this latter category of programs was a proposal of the Second Hoover Commission in the interest of uniformity. In reality, this would not constitute a change from the present system for current expenses. So the problem

¹Galloway, op. cit., p. 136.

becomes one of defense procurement appropriations requiring long lead-time and the question: Will the change from obligational authority to contractual authority restore to Congress the control of the purse?

The current practice is to appropriate funds for a definite program. With the appropriation goes full funding authority to carry out the program--authority to make contracts and authority to pay bills when presented. Contract authority must include all of the elements now included in an appropriation, except the final step of authorizing payment of bills, if it is to be effective. If Congress should fail to appropriate funds to pay for contracts entered into pursuant to the contract authority concept, the only possible result would be deficiency requests, or, finally, court judgments. Under contract authority, Congress would lose control at the time the contract authority was issued. Contract authorizations are merely in effect promises to pay. Contracts made under such authority are legally enforceable, and Congress must, in subsequent years, appropriate whatever funds are required to cover them. Congress has no discretion, once the contract authorization has been granted.

It is argued that the accrued expenditures concept allows Congress to review each year the long-term projects which are now subject to little if any scrutiny once the funds have been voted. While the concept does require a second look by the Congress, along with this second look goes the action to provide money for contract authorizations previously issued.

We must conclude that contract authority does not restore to the Congress the control of the purse.

In this connection, without failing to recognize the contributions of the Second Hoover Commission in the budgeting and accounting fields, perhaps their report could be criticized on at least two counts of interest in this paper. The first of these was in estimating the annual savings that would result from implementation of their recommendations; the second is their recommendation of the contract authorization concept without an explanation of how contract authorization offers any better control over the final expenditure than the present method of appropriation. The drain on the Treasury would be the same under contract authority as under the present system.

As to the future of unobligated carryover, I will venture to say that the problem will be with us for some time. Granted that it is desirable to keep future commitments at a minimum, and that so far as practicable the annual nature of the budget should be maintained. But the annual budget is really not annual, not even in its most simple parts. A budget item providing for salaries in a particular bureau, for example, must be related to the number that are expected to be on the roll at the beginning and end of the year. A proposed increase or decrease in force cannot be effected at the beginning of a fiscal year, and the appropriation must take this into account. To make a truly annual budget, the Government would have to close its offices and activities on June 30 and reopen on

July 1 on a completely new basis.²

Moreover, prudence and necessity often dictate that long-range commitments be made. In making these long-range commitments, it is necessary to reserve funds to pay for them. It is not too important that these funds remain unobligated for a time. It is not even too important to the military whether the authorization is in the form of appropriation or contract authority. What is important is that the authority or the funds are available when needed--that they do not lapse at the end of the fiscal year.

I do not believe the legislation relating to accrued expenditures now pending will be enacted into law. The President has, on at least four separate occasions, asked for this authority which Congress has seen fit to deny.³ Congress broke away from contract authorizations in 1951, and it is doubtful that they will return to it. They simply do not like the idea of committing the federal budget to substantial expenditures several years ahead.⁴ The Congress has had ample opportunity--in Public Law 798, in Public Law 863, to return to contract authorization. They presently have the opportunity in S. 434 and H. R. 8002. However, before H. R. 8002 was voted by the

²George Y. Harvey, "Contract Authorization in Federal Budget Procedure." Public Administration Review, Volume XVII, No. 2, Spring 1957.

³U. S. Congress, Senate. Committee on Government Operations. Providing for Improved Methods of Stating Budget Estimates. Senate Report No. 394. 85th Congress, First Session, p. 1. Washington: Government Printing Office, 1957.

⁴House Report No. 1797, to accompany Tax Bill H. R. 7768, The General Appropriation Bill.

House, the objectionable contract authorization principle was deleted.

I believe that control of expenditures by the Congress will be improved within existing appropriations practices. The unobligated balances exist in just a few items involving only a few appropriations. Each of them is being isolated and studied by the military departments. Already they have done much to minimize these balances. The House Appropriations Committee has also studied these balances and through its own efforts have made many improvements. The basic problem that is being attacked is the reason for each balance. The difficulty lies in lack of coordination between program planning and budgeting. But this coordination is improving with each budget.

The important point, in my opinion, is that in the area of unobligated carryover in appropriations, the Department of Defense is getting better. It is getting better through improvement in accounting and budgeting practices, with a view to furnishing the Congress with more reliable information on which to base its decisions and minimize unobligated carryover to whatever extent may be possible. This improvement is the result of orderly, constant attention to details. This approach is slow, tedious, and wholly undramatic, but it is the one way in which progress can be made.

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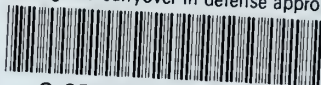






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